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Spotlight

ON FOREIGN MARKETING



TO U.S. AGRICULTURAL ATTACHÉS AND FAS STAFF MEMBERS

Vol. 1, No. 1

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A NOTE ON SPOTLIGHT:

Its purpose is to spotlight current developments which will assist Agricultural attaches, marketing specialists and other officers of the Department to promote foreign markets for U.S. farm products.

The contents will deal with prices, delivery costs, good buys and new products with export potentials, pertinent foreign exchange earnings and holdings, surplus availabilities, terms and conditions, and market techniques and information.

All of this information, in the main, is intended to help all of us to build and maintain continuous markets for our agricultural products with every device we have at our disposal. Special bulletins will be issued to individual and selected attache posts as part of the over-all service of SPOTLIGHT.

Your comments and suggestions regarding this newsletter will be appreciated; your inquiries on specific items will be promptly passed along to the proper office for action.

Gwynn Garnett, Administrator

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A series of meetings with exporters and others interested in export trade in U.S. agricultural commodities is being held under the joint arrangements of CSS and FAS. First meeting was held in New York City November 8-9, other cities to follow. Existing Government programs and facilities will be discussed. Emphasis on financing and credit arrangements provided by CCC's export credit program and new stepped-up assistance in financing exports of surplus agricultural commodities, recently announced by the Export-Import Bank. Periodic reports on progress of these discussions will follow.

A new sales program for soybeans from the 1956 crop has been set regarding any quantities of this year's crop which may be taken into CCC inventory at the maturity date, May 31, 1957. CCC will not sell any such soybeans for domestic or export use at less than the higher of the domestic market price or the current price support level plus reasonable carrying charges. New policy to remain in effect until October 1, 1957, when a reappraisal will be made of the soybean situation.

On the spot observations made by FAS officers on field trips are invaluable to staff members. The following comment was made by Robert C. Tetro, Assistant Administrator, Attache Service, upon his return from a trip around the world: "A generalization based on my experience in Burma, as well as in other countries, would indicate some tendency to forget the ultimate aim of local currency sales and a willingness to accept them as an end in themselves. While we must accept this as natural in the present circumstances, there is a constant danger of forgetting to use P.L. 480 primarily as a strategic device ultimately to increase commercial transactions."

An Italian wheat delegation is in the U.S. as part of a market development project for hard winter wheat. The group is particularly interested in the utility of Dark Hard Winter Wheat for mixing with Durum wheats in Pasta manufacture. Their tour took them to Nebraska, Kansas and Oklahoma, ending with conferences in the Department. The leader was amazed to find such high quality U.S. wheats available for export. The delegation resulted from discussions in Rome between E.J. Bell and Ray Ogg with Italian manufacturers and traders. This type of approach has proved very productive and should be encouraged.

French Tobacco Monopoly officials are in the U.S. studying distribution, marketing and research in major tobacco-growing and retail marketing areas. Delegation is sponsored jointly by the Department and tobacco trade groups. It's part of a market development project to promote sales of U.S. leaf tobacco.

This is a good year for such visits. Demand for the 1956 crop of flue-cured leaf is unusually strong. Rising prices resulted.

Exports of U.S. dark air-cured leaf will nearly double this year as result of large sale to Union of South Africa. Sale was made through efforts of Agricultural Attache.

There are adequate supplies of export grades in the 1956 flue-cured tobacco crop. The Burley crop, still in curing process, promises a larger percentage of export grades than 1955.

Animal feeding may soon become an even more-scientific manufacturing process. Feedstuffs are being converted into food with greater efficiency. Production-line broiler raising may lead to similar success in livestock production. Today's commercial broiler ration produces a 3-lb bird on 25% less feed than pre-World War II. Additives in feeds are inexpensive, increase efficiency greatly. Economic effects are evident. For the future this may mean livestock products will become increasingly competitive in world markets, also make animal feeding more profitable and raise demand for feeds and feedstuffs. Ref: Address by B.T. Shaw, ARS, # 3047; release #3033.

USDA has modified its sales program for nonfat dry milk solids for foreign animal and poultry feed use. Program now includes (1) up to 12 million lbs. of CCC-owned roller process nonfat, and (2) withdrawal of spray process nonfat for animal and poultry feeds. Through Oct., 31,584,230 lbs of nonfat has been sold under the program. Most recent sales: 110,000 lbs. to the Netherlands @ 6.21 ¢ fas; 220,000 lbs. to Switzerland @ 6.22¢ fas.

Variety meats are a good export buy and will remain so. Prices and availability are in a good competitive position. Attaches will find prices in National Provisional Daily Market Report, issued bi-weekly. Compare local prices. Those not on mailing list may request Report.

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The October issue of FOREIGN AGRICULTURE contains several interesting and informative articles and briefs on market development activities. Sino-Soviet Economic Offensive In Underdeveloped Countries (Page 3) furnishes valuable background on methods used by Communist Bloc countries to wreck the market potential for U.S. farm products in free nations through use of so-called "economic aid." . . . Dehydration of eggs, milk, fruits and vegetables has progressed far since World War II. Through modern research methods in ARS and private industry many new products will be readied for export trade. Details in Science Helps U.S. Farmers Expand Their Foreign Markets (Page 8) . . . The Third International Wheat Agreement is detailed on Page 9 . . . In 1955 total volume of U. S. agricultural exports was over a third higher than 1938, according to Post-War Changes In U.S. Farm Export Markets (Page 2), third in a series of articles on foreign trade which started in August . . . Export-Import Bank announces new stepped-up credit program for importers of U. S. farm commodities. Details on page 17 . . . Further progress in international financing as World Bank sets up new International Finance Corporation (Page 18) . . . More items on market development in the Trading Post (Pages 22 and 23).

U.S. milled wheat flour will be featured again in Bogota, Colombia, International Industries Fair (Nov. 25-Dec. 9, 1956). Samples of various types of baked goods will be handed visitors at special booths at fair grounds. Last year the Colombian Government nearly lifted import restrictions on U.S. flour. An association of Colombian bakers was organized with Pierre Albrecht as President. This group is pressing to open up this market.

In Washington recently to confer with FAS officials and Gordon Boals (Millers' National Federation, cooperator in the Colombian exhibits), Albrecht said Colombian bakers still prefer U.S. flour to their own. Colombian flour, he said, is inferior in quality and the most expensive in the world. Average Colombian eats 8 lbs. of bread per year, would like more. Cost and availability are key factors. From Washington Albrecht went to Chicago to attend the American Bakers Association convention. He not only wanted to learn new techniques in baking, but U.S. convention procedures which could be helpful to his new organization. The formation of such trade groups have proved helpful in gaining acceptance of U.S. farm products, and in easing import restrictions.

The market for ALA (a cracked wheat product) is growing. The Department, in cooperation with a flouring mill, is testing acceptance of the product in several foreign countries. An order for 1,000 tons was received recently from Beirut, Lebanon. This is the second order from this market. Domestic business for ALA is also encouraging. The product is comparable to rice in many respects, should have a good potential market in rice-consuming countries.

Poultry promotion in Europe is paying off. U.S. quality ready-to-cook meat-type broilers and turkeys are gaining acceptance in Germany and Switzerland. 1956 sales will amount to \$2.2 million. Switzerland will buy \$1 million worth, compared to \$40,000 in 1955. The P.L. 480 agreement with Germany will be for over \$1 million.

Total gold and dollar reserves of foreign countries (excluding USSR) increased during the first half of this year from \$27,456 bil. to \$28,484 bil., with outstanding gains in Western Germany and Japan. Here is the breakdown for some principal countries in \$ millions (12/31/55 to 6/30/56).

	<u>Dec. 31, '55</u>	<u>June 30, '56</u>		<u>Dec. 31, '55</u>	<u>June 30, '56</u>
Belg.-Lux	1,211	1,233	Canada	2,610	2,756
W. Germany	2,382	2,748	Brazil	468	542
France	2,137	1,790	Cuba	558	566
Italy	1,139	1,214	Venezuela	671	737
Neth.	1,144	1,174	Japan	1,033	1,179
Switzerland	2,398	2,424	Philippines	560	306
U. K.	2,880	3,124	Mexico	560	526 1/

1/ Incl. latest available figure (April 30) for Mexican gold reserves.

This should mean increased opportunities for larger dollar sales of U.S. agricultural commodities.

U.S. capital (private and government) net outflow to foreign countries during first half of 1956 was \$1.4 billion, up \$675 million over corresponding period, 1955. Sharp increase due to general economic expansion boom (particularly capital expenditure) in both U.S. and major industrialized foreign countries.

Japan's foreign exchange budget for the period October 1, 1956 - March 31, 1957, has been expanded to an unprecedented \$2,341 million, including \$1,915 million for commodity imports. Purpose: to procure larger quantities of raw materials needed to expand industrial production. Agricultural portion to be one-third of total commodity imports.

Imports of cotton, soybeans and barley will be increased, while wheat and rice imports will be cut.

The trend of non-P.L. 480 sales should be carefully watched in all countries where Title I has been a prime mover in moving surpluses. Our first objective should always be to increase dollar sales.

U.S. beef and dairy cattle will soon be purchased by Mexico from drought-stricken Southwestern States under terms of a recent Export-Import Bank loan. Cattle are to be used for upgrading Mexican herds, now a popular practice there. The loan terms specify the purchase of not less than \$3.75 million in beef breeding stock, and up to \$1.25 million for dairy cattle. Similar loans for other countries may be worth checking into.

U.S. imports of goods and services for 1956, (on an annual rate basis) would total \$19.6 billion, up \$1.7 billion over 1955. U.S. exports of goods and services (including economic aid shipments, foreign currency sales, barter and gifts) for 1956, on an annual rate basis, would amount to \$22.4 billion, an increase of \$2.5 billion over 1955. The increase in dollar earnings of foreign countries from U.S. imports of goods and services enhances the opportunity to expand exports of U.S. farm products.

The Millers' National Federation released a useful new brochure on export marketing of U.S. milled flour. Copies are being transmitted.